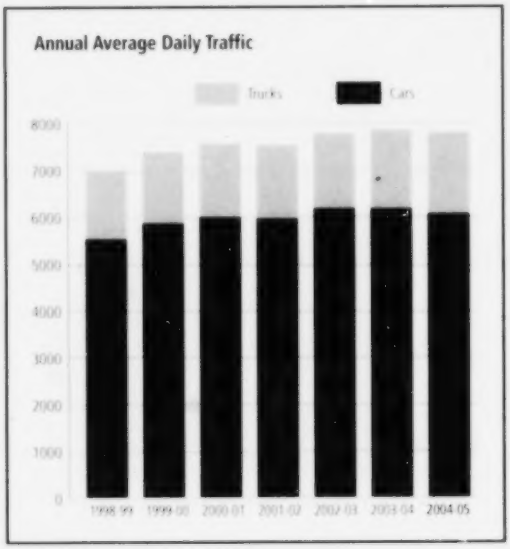
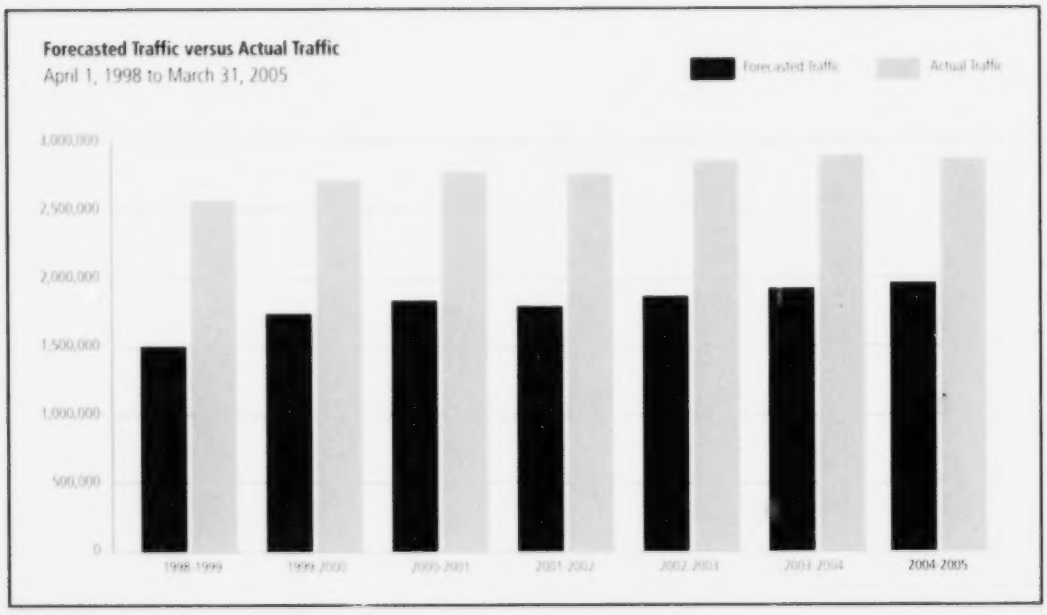
Highway 104 Western Alignment Corporation

Annual Report 2004/2005

Facts at a Glance

- 45 kilometres between Masstown and Thomson Station
- Twinned, four-lanes
- Wide median: 22.6 metres
- 110 km/hr
- Five full interchanges
- Six major bridges
- Five large tunnels under the road for access to land parcels, snowmobile trails and wildlife passages
- 18 kilometres of access roads
- Constructed by Atlantic Highways Corporation, a subsidiary of Canadian Highways International Corporation, in 20 months. (A national industry publication called Cobequid Pass the fastest highway ever to be designed and constructed in Canada.)
- The Highway 104 Corporation contracts the management of the toll plaza to Atlantic Highways Management Corporation
- Opened November 15, 1997
- Annual average daily traffic for 2004-05: cars - 6138; trucks - 1752





Letters to Stakeholders

President's Letter

With this annual report the Highway 104 Western Alignment Corporation marks its eighth year of operation in striving to provide the highest level of highway operation and customer service. Working with our associates Atlantic Highways Management Corporation Limited, the Department of Transportation & Public Works, McCormick Rankin, CIT Financial Limited, Grant Thornton LLP, and McInnes Cooper, the Highway 104 Corporation is committed to managing toll revenue collection, maintaining the schedule of repaying the investors, and funding annual and long term maintenance of the facility. Adhering to this mandate the Corporation ensures the traveling public will continue to have a quality driving experience on the Cobequid Pass now and for years to come.

The financing structure of the Cobequid Pass provides a unique opportunity for the Corporation to ensure the roadway is maintained as a first class facility throughout its 30 year life. Toll revenues go directly to the annual operating and major maintenance of the highway. With engineering advice from our Independent Maintenance Engineer (McCormack Rankin) and contract management services from the Department of Transportation & Public Works, the Corporation was able to micro-surface another portion of the highway, 12 kilometres of the west bound lanes from the Toll Plaza, to maintain a quality driving surface.

The current tolling software and hardware is fast approaching the end of its useful life. This fiscal year the Corporation initiated an investigation of possible toll system replacement opportunities to ensure our technology matches the expected customer service levels of our patrons.

Traffic on the Cobequid Pass remains steady and revenues continue to meet our targets. The Corporation, the Bondholders' Representative (CIT Financial Ltd) and our Auditors (Grant Thornton LLP) continuously assess the management of our resources to ensure sound financial decisions are made in the best interests of the Corporation, our investors, and our patrons.

The Corporation's management made up of General Manager Don Stonehouse, P.Eng., Controller Eva Hislop, CMA, and Administrative Assistant Patricia Belleza are a competent and dedicated team who, along with our Government liaison and advisor Alan MacRae, P.Eng., are providing excellent service to the traveling public maintaining the Cobequid Pass Toll Road as a first class highway facility.

As we move forward the Corporation will strive to continue to provide strong financial management and a roadway for a quality driving experience.

Lee Rankin, P.Eng.
President

General Manager's Letter

As has been mentioned in the past, the Cobequid Pass is a critical link in the Province's highway system. Traffic volumes on this highway are proof to its importance. In fiscal 2004-05 the Cobequid Pass Toll Plaza handled 2,888,000 vehicles, comprising 2,247,000 cars and 641,000 trucks. This compares to 2,890,000 vehicles, comprising 2,268,000 cars and 622,000 trucks, in the previous fiscal year. In comparison to original forecasted traffic, automobile traffic is up 71%, while truck traffic is up 3.6%. Tolling revenue is up 15.2% over fiscal 2003-04, reflecting the full impact to the toll increase implemented on January 1, 2004.

In fiscal 2004-05, as recommended by our consultants, the Corporation began an investigation of possible replacement tolling systems that could be used at the Cobequid Pass, and met with a number of system suppliers and integrators. The Corporation also reviewed an upgrading option. At the end of the fiscal year, the Corporation was preparing to enter into a contract with the Toll Operator (Atlantic Highways Management Corporation) to develop a toll system replacement plan for the Cobequid Pass facility.

Following up on the examination by our Auditors (Grant Thornton LLP) of the financial implications of paying down a portion of the debt, the Corporation entered into discussions with the Bondholders' Representative (CIT Financial Ltd.) on the appropriate protocols to be followed. By the end of 2004-05, not all of the issues had been resolved.

In fiscal 2004-05, the Corporation also worked with Atlantic Highways Management Corporation to develop a disaster recovery plan for the Toll Plaza. A new tolling system will include provisions in case of a major failure at the Plaza.

The Corporation, with advice and guidance from the Department of Transportation & Public Works, initiated an assessment of the electrical service at the Toll Plaza facility. In the coming year the Corporation will be reviewing the recommendations from the study.

This report provides a broad overview of the history and administrative structure of the Corporation, and the traffic and financial operation of the Cobequid Pass for fiscal 2004-05. I would commend its reading. In regards to the financial statements, the accompanying notes are very important in explaining the financial details.

If you have any questions or comments regarding the Cobequid Pass, we would be pleased to hear from you. The contact information is printed on the back of this report.

Don L. Stonehouse, P.Eng.
General Manager

Administration and Accountability

Background

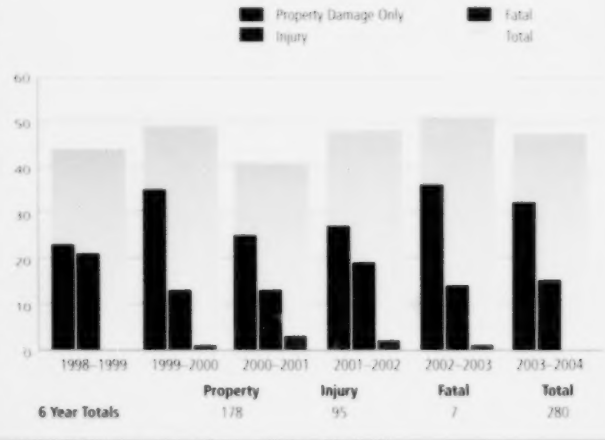
Creating the Highway 104 Western Alignment Corporation was key to creating Cobequid Pass. Unique to infrastructure financing in Canada, the Corporation is neither a Crown corporation, nor an agent of the Crown. Its sole purpose, by statute, is to manage the finance, design, construction, operation and maintenance of Cobequid Pass.

The Corporation's mandate is to manage toll revenues until the year 2026, and maintain the schedule set to repay investors and fund annual and long term maintenance. The Corporation's sole source of revenue is tolls.

Because the funding for Cobequid Pass flows only through the Highway 104 Corporation, the highway's debt does not belong to the Province of Nova Scotia, nor does the Province guarantee the debt. However, because public monies are involved in the highway's financing, and because the 104 Corporation is wholly owned by the Crown, its annual operations may be scrutinized by the Auditor General.

Operating independent of government, the Highway 104 Corporation is the entity that permitted non-recourse financing, meaning private investors can lay no claim on government assets or money in the unlikely event toll revenue should fail to provide a return on investment.

Cobequid Pass Collision Record 1998–2004



6 Year Totals	Property	Injury	Fatal	Total
	178	95	7	280

Administration

One of the Corporation's primary administrative responsibilities is ensuring toll revenue is collected and distributed according to the agreements signed by the Government of Nova Scotia, Atlantic Highways Corporation and CIT Financial Limited, formerly Newcourt Credit Group, the Bondholders' Representative.

This responsibility includes maintaining budget control, issuing payment directives, and ensuring that parties to the agreements are meeting obligations in a timely fashion. It also means keeping communication lines open and direct between all parties.

The administration of the Highway 104 Western Alignment Corporation is led by its General Manager, Don Stonehouse, P.Eng. and by the Controller, Eva Hislop, CMA. Patricia Belleza provides administrative and accounting support.

Accountability

The financial activities of the Corporation are carefully scrutinized by its auditors Grant Thornton LLP, and by CIT Financial Limited and the Department of Transportation and Public Works.

Detailed reports of the highway's operation are given to the Deputy Minister of the Department of Transportation and Public Works on a monthly basis, and he in turn informs the Minister of Transportation and Public Works as the owner. The Minister is well equipped to respond to questions from the public, Cabinet, Members of the Legislative Assembly, and the media, as is the Corporation's General Manager.

The Highway 104 Western Alignment Corporation is represented on the Department of Transportation and Public Works' Steering Committee, and meetings are scheduled regularly with Atlantic Highways Management Corporation executives.

The Auditor General of Nova Scotia has the right to review the 104 Corporation's activities, as it did in 1996 and 2002.

Maintenance

With a budget of $847,200 in fiscal 2004-05, the Department of Transportation and Public Works provides maintenance on Cobequid Pass under the terms of the Annual Maintenance Agreement. The majority of this work consists of snow and ice removal during the winter months. The Department of Transportation and Public Works also performs annual line painting, guardrail replacement and repair, litter removal, and other duties to ensure the highway is maintained at a high standard.

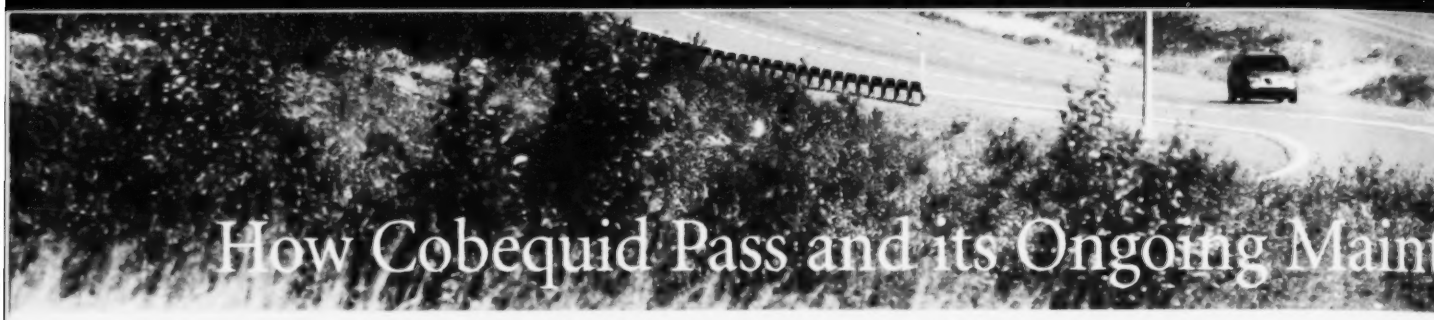
The Corporation funded nearly $250,000 in Major Maintenance during the past fiscal year for 12 kilometres of micro-surfacing, design and construction. These works were funded through the Corporation's Major Maintenance Reserve Fund and involved no public monies.

Atlantic Highways Management Corporation

The toll operations are run by Atlantic Highways Management Corporation (AHMC), a subsidiary of the contractor, Atlantic Highways Corporation (AHC). Both are owned by Aecon. AHC guaranteed the highway for three years, an unprecedented warranty period, and all deficiencies were repaired at their expense.

The electronic tolling system managed by AHMC links vehicles carrying a transponder to a computerized account and automatically deducts the toll. Supplied by SIRIT Inc., the system provides for automatic toll collection and cash transactions with built-in audit capabilities. Fourteen hundred and eight transponder units were sold this fiscal year.

AHMC employs 39 people at the toll plaza, most from Cumberland and Colchester Counties. Aecon is an alliance of the project management and engineering firms Ambro Construction Ltd. and BFC Construction Corporation.



How Cobequid Pass and its Ongoing Main

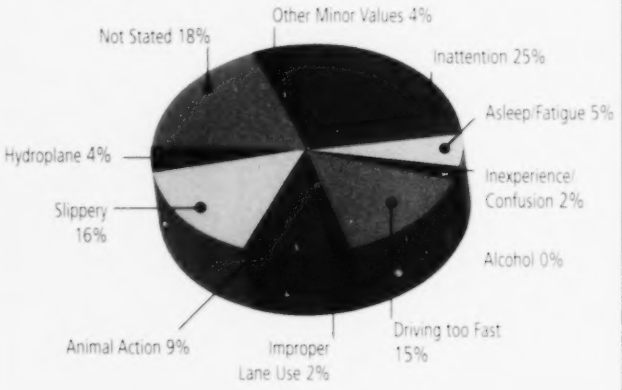
Cobequid Pass is the only highway in Nova Scotia that required a relatively small one-time initial investment from governments for its construction. It is also the only highway that covers the cost of its annual and long-term maintenance over a 30-year period.

The terms of the agreement between the partners detail how toll revenue is used to repay investors, cover toll operations, and fund long and short term maintenance.

How the agreement works

Funding	Amount	Provided by
Senior Bond Issue	$51.0 million	CIT Financial Limited
Junior Bond Issue	$9.9 million	CIT Financial Limited
Subordinate Notes	$5.5 million	Province of Nova Scotia
Equity	$1	Province of Nova Scotia
Interest Earnings		From all investments and bank accounts
Federal Funding	$27.5 million	Government of Canada
Provincial Funding	$27.5 million	Government of Nova Scotia

Primary Contributing Collision Factors
1 Year Total 2003–2004



Data supplied by the Nova Scotia Department of Transportation and Public Works

Operations

The Project Account was established to:

- Pay the Highway 104 Western Alignment Corporation's ongoing administrative costs
- Pay operating and maintenance costs for Cobequid Pass.

Every month the Highway 104 Corporation transfers any cash balance from the Project Account into the Capital Reserve Account. By agreement, the Project Account keeps only a balance equal to two months of its operating/administrative budget.

The sources of cash for the Project Account are:

- Toll revenue
- Any cash not used during construction
- Interest income

The Capital Reserve account is used to:

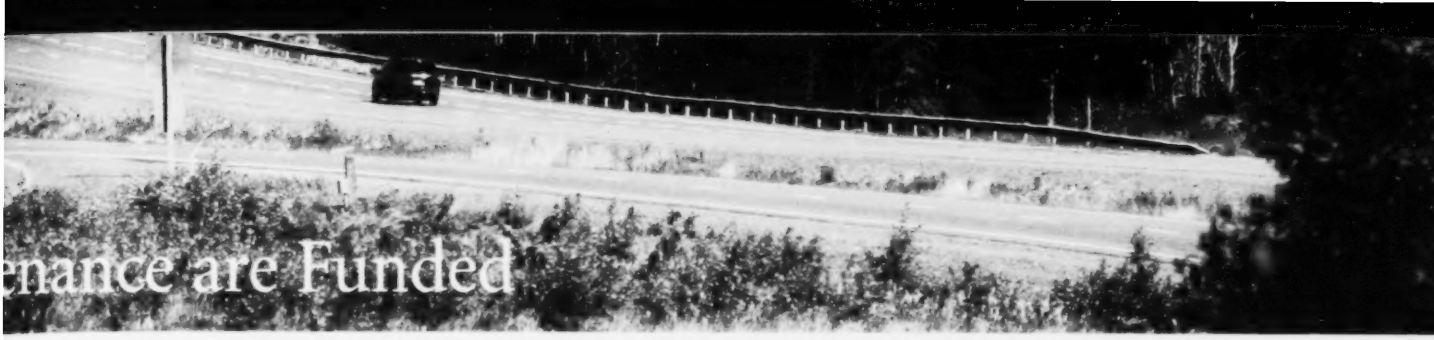
- Pay Trustee fees
- Pay accrued unpaid interest
- Pay senior bond debt and junior bond debt as per scheduled quarterly repayment dates
- Meet the minimum funding requirements of the Debt Service Reserve Account if required. (The Debt Service Reserve Account must be funded at one full year of Senior Debt Payments, according to the amortization schedule, at any given time.)
- Meet the funding requirements of the Major Maintenance Reserve Fund
- Pre-pay the debt

The sources of cash for the Capital Reserve account are:

- The Project Account: All monies in excess of two months operating and administrative budget are deposited to the Capital Reserve Account
- All excess funds in the Debt Service Reserve Account (DSRA). The DSRA, on any given bond principal and interest payment date, can only equal the scheduled Senior Bond repayments for the upcoming 12 month period.

Senior Debt Service Coverage Ratio (DSCR)

The Senior Debt Service Coverage Ratio must be 1.2:1 at any time during the first 36 months after December 31, 1997, the Date of Acceptance, and 1.3:1 at any time after the 36th month after the Date of Acceptance.



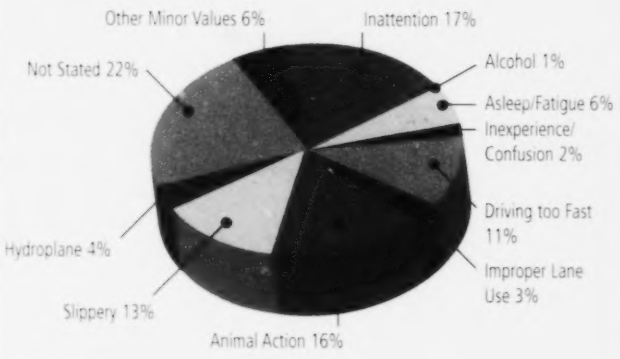
If the Senior Debt Service Ratio is larger than 1.3:1 but less than 1.6:1 then all funds in excess of expenditures and bond repayment are accumulated in the Capital Reserve Fund where they are placed in permitted investments. Since project start up the Senior Debt Service Ratio has never been less than 1.6:1.

Major Maintenance Reserve Fund (MMRF)

The Major Maintenance Reserve Fund ensures that there are funds available to pay for all major maintenance costs such as repaving.

The first contribution to the MMRF fund came from the Subordinate Notes issued in November 1997. This was a total amount of $500,000. The Financing Agreements require that specific quarterly contributions be made to the MMRF from the Capital Reserve Fund and these contributions are adjusted annually based on maintenance requirements.

Primary Contributing Collision Factors
6 Year Total 1998–2004



Data supplied by the Nova Scotia Department of Transportation and Public Works

Cash Flow Diagram

Junior Debt Service processes have been omitted for clarity

Auditors' Report

To the Shareholder of Highway 104
Western Alignment Corporation

We have audited the balance sheet of Highway 104 Western Alignment Corporation as at March 31, 2005, and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Grant Thornton LLP
Chartered Accountants
Halifax, Nova Scotia
May 13, 2005

Highway 104 Western Alignment Corporation

Statements of Earnings and Deficit

Year Ended March 31

	Budget 2005	Actual 2005	2004
Revenue			
Facility revenue	$ 16,630,000	$ 16,954,490	$ 14,717,403
Interest income	465,000	711,759	757,746
	17,095,000	17,666,249	15,475,149
Expenses			
Bondholder representative fees	165,500	107,910	103,536
Trustee fees	33,617	32,052	30,872
Salaries and benefits	147,100	135,358	118,190
Office	49,100	48,690	48,589
General and administrative	238,600	195,032	158,980
Enforcement	60,000	60,000	60,000
Independent engineer	50,000	36,379	60,172
Routine maintenance	900,700	883,874	850,849
Major maintenance	357,600	249,378	483,251
Facility operations	1,904,335	1,920,430	1,860,350
Transponders	63,074	57,958	66,694
	3,969,626	3,727,061	3,841,483
Earnings before other items	13,125,374	13,939,188	11,633,666
Other items			
Government assistance amortization (Note 2)	1,265,058	1,265,057	1,204,817
Amortization and depreciation	(2,889,250)	(2,865,547)	(2,729,806)
Interest on long term debt	(8,516,966)	(8,517,068)	(8,443,686)
Net earnings	$ 2,984,216	$ 3,821,630	$ 1,664,991
Deficit, beginning of year		$ (15,733,019)	$ (13,573,769)
Net earnings		3,821,630	1,664,991
Transfer to reserve for restricted assets (Note 9)		(6,111,137)	(3,824,241)
Deficit, end of year		$ (18,022,526)	$ (15,733,019)

See accompanying notes to the financial statements

Highway 104 Western Alignment Corporation

Balance Sheet

March 31

	2005	2004
Assets		
Current		
Cash and cash equivalents	$ 553,033	$ 650,560
Inventory	6,501	12,530
Prepaids (Note 3)	359,012	331,965
Receivables (Note 4)	106,745	72,180
	1,025,291	1,067,235
Restricted assets (Note 5)	26,156,658	20,045,521
Facility (Note 6)	106,913,678	109,779,225
Deferred financing fees (Note 2)	500,531	535,965
	$ 134,596,158	$ 131,427,946
Liabilities		
Current		
Payables and accruals	$ 306,295	$ 622,004
Current portion of long term debt	1,108,652	996,969
Deferred revenue	716,252	618,398
	2,131,199	2,237,371
Long term debt (Note 7)	82,573,657	81,855,846
Payable to the Province of Nova Scotia (Note 8)	250,000	250,000
Deferred government assistance (Note 2)	47,446,250	48,711,307
	132,401,106	133,054,524
Shareholder's Equity (Deficiency)		
Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia	1	1
Reserve for restricted assets (Note 9)	20,217,577	14,106,440
Deficit	(18,022,526)	(15,733,019)
	2,195,052	(1,626,578)
	$ 134,596,158	$ 131,427,946

Commitments and contractual obligations (Note 12)

See accompanying notes to the financial statements

Highway 104 Western Alignment Corporation

Statement of Cash Flows

Year Ended March 31

	2005	2004
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 3,821,630	$ 1,664,991
Government assistance amortization	(1,265,057)	(1,204,817)
Capitalized interest on bonds (Note 7)	1,826,463	1,652,655
Amortization of deferred financing fees	35,434	35,434
Amortization and depreciation	2,865,547	2,729,806
	7,284,017	4,878,069
Change in non-cash operating working capital (Note 11)	(273,438)	(4,822)
	7,010,579	4,873,247
Financing		
Principal repayment on bonds	(996,969)	(896,554)
Investing		
Increase in restricted assets	(6,111,137)	(3,824,241)
Net (decrease) increase in cash and cash equivalents	(97,527)	152,452
Cash and cash equivalents, beginning of year	650,560	498,108
Cash and cash equivalents, end of year	$ 553,033	$ 650,560

See accompanying notes to the financial statements

Highway 104 Western Alignment Corporation Notes to the Financial Statements *March 31, 2005*

1. Nature of operations

The Corporation has been established for the purpose of financing, designing, constructing, operating and maintaining the Facility consisting mainly of a 45 km stretch of highway (referred to as the Highway 104 Western Alignment) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia. The Corporation has been designated a Government Business Enterprise by the Nova Scotia Provincial Finance Act. The Corporation follows generally accepted accounting policies for profit-oriented enterprises.

2. Summary of significant accounting policies

Pre-operating and operating periods — The pre-operating period was the twenty month construction period commencing April 1, 1996 until the date of acceptance in November 1997. Operations began December 1, 1997.

Facility — The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the Facility include certified progress payments to the Facility's contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized commencing at the start of the operating period until March 31, 2026 using the sinking fund method with an annual compounding rate of 5%.

Also included in the Facility are computer equipment costs of $44,940. These costs are being amortized over three years under the straight line method.

Revenue recognition — The Corporation recognizes revenue at the time a vehicle utilizes the highway.

Deferred costs - financing fees — Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and are being amortized to operations over the term of the related bond debt commencing at the start of the operating period.

Deferred government assistance — Government assistance provided by the Province of Nova Scotia has been recorded as a deferral and is being amortized to operations over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

Cash and cash equivalents — Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less with the exception of restricted cash balances which are included in restricted assets. Bank borrowings are considered to be financing activities.

Use of estimates — In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3. Prepaids

	2005	2004
Operating expenses	$ 34,487	$ 36,235
Advance to operator	324,525	295,730
	$ 359,012	$ 331,965

4. Receivables

	2005	2004
Harmonized Sales Tax	$ 72,575	$ 45,372
Other	34,170	26,808
	$ 106,745	$ 72,180

5. Restricted assets

	Cash	Investments	2005 Total	2004 Total
Senior debt service reserve account	$ 614	$ 5,651,491	$ 5,652,105	$ 5,712,221
Capital reserve account	875	16,531,912	16,532,787	10,575,301
Major maintenance reserve account	1,145	3,970,621	3,971,766	3,757,999
	$ 2,634	$26,154,024	$26,156,658	$20,045,521

Investments are recorded at cost, have a weighted average term of 9.21 (2004 – 10.14) months to maturity and a weighted average interest rate of 2.80% (2004 – 3.26%). The market value of the investments approximates the carrying value.

The following restricted accounts have been established in accordance to trust indenture agreements between the Corporation and the senior and junior bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia:

(i) The capital reserve account has been established to provide funds to pay the interest and principal on the senior and junior bonds and the subordinated notes. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account. This account provides funding to the major maintenance reserve and the senior debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank accounts of the Corporation.

(ii) The senior debt reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.

(iii) The major maintenance reserve account has been established for the purpose of paying major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account in accordance with a maintenance budget recommended by the Independent Engineer through the terms of the major maintenance reserve fund agreement.

6. Facility

	Cost	Accumulated Depreciation	2005 Net Book Total	2004 Net Book Total
Facility	$124,667,559	$ 17,753,881	$106,913,678	$109,779,225

7. Long term debt

	2005	2004
Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2006 and then 80 equal blended quarterly payments of interest and principal of $2,251,191. The amount by which the interest expense has exceeded interest payments has been capitalized as part of the principal. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.	$ 74,865,042	$ 73,038,579
Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 until March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of $503,395. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders.	8,817,267	9,814,236
Less: principal repayments due within one year	(1,108,652)	(996,969)
	$ 82,573,657	$ 81,855,846

Minimum principal repayments required are as follows:

2006	$ 1,108,652
2007	2,498,137
2008	2,769,342
2009	3,070,036
2010	3,403,379

The combined fair value of the Corporation's long term debt, as comprised by senior and junior toll revenue bonds, is $107,072,500 (2004 - $104,827,000) and is determined using cash flows discounted at a rate equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics.

8. Payable to the Province of Nova Scotia

On the date of acceptance, the Province advanced $250,000 to the Corporation to facilitate the Provincial subsidy. Under the First Amendment to the Omnibus Agreement, the Province reduced the tolls for transponder users and created a Provincial subsidy payable to the Corporation to offset the reduction. The advance is to be repaid to the Province on the earlier of the date when the toll rates are reinstated to the original rates as laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

9. Reserve for restricted assets

The capital reserve account is to be funded from excess funds in the Project Bank Account. In addition, any interest earned on restricted assets forms part of the reserve account.

	2005	2004
Reserve for restricted assets, beginning of year	$14,106,440	$10,282,199
Transfers from project account	13,723,500	11,255,000
Interest income	639,488	739,970
Long term debt payments, including interest	(7,652,141)	(7,652,151)
Major maintenance payments, including HST to be recovered	(599,710)	(518,578)
	6,111,137	3,824,241
Reserve for restricted assets, end of year	$20,217,577	$14,106,440

10. Financial instruments

The Corporation's financial instruments consist of prepaids, receivables, restricted assets, payables and accruals, amount payable to the Province of Nova Scotia, deferred revenue and long term debt. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Corporation estimates the fair value of its financial instruments to approximate their carrying values with the exception of long term debt as outlined in Note 7 to the financial statements.

11. Supplemental cash flow information

Change in non-cash operating working capital	2005	2004
Inventory	$ 6,029	$ (4,900)
Prepaids	(27,047)	(2,682)
Receivables	(34,565)	8,727
Payables and accruals	(315,709)	(42,491)
Deferred revenue	97,854	36,524
	$ (273,438)	$ (4,822)
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	$ 553,033	$ 650,560
Interest paid	$ 6,655,171	$ 6,759,597

12. Commitments and contractual obligations

The Corporation has entered into the following agreements to finance, design, construct, operate and maintain the Highway 104 Western Alignment:

Omnibus Agreement — Agreement dated April 1, 1996, between the Corporation, the Contractor, the Operator and the Province of Nova Scotia to design, finance, construct, operate and maintain the Highway 104 Western Alignment. This agreement acknowledges that the Corporation has entered into a Design Build Agreement and an Operating Agreement to fulfill its obligations to the Province.

Under this agreement, the Province of Nova Scotia retains ownership of the Facility, however, the Corporation is granted the right to operate and collect tolls for a thirty year period, at which time this right will revert back to the Province.

The Province contributed $55,000,000 to the project.

Operating Agreement — Agreement dated May 22, 1996 between the Corporation and Atlantic Highways Management Corporation (the Operator) whereby the Operator is required to operate the Facility which includes the toll collection system, toll plaza and the administration building.

Facility operations expenses paid to the Operator during the year totalled $1,920,430 (2004 - $1,860,530).

Operator compensation is based on the annual operating budget plus a variable fee, subject to adjustment under certain conditions, equal to 10% of the total annual budget.

Major Maintenance Reserve Fund Agreement — Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Reserve Account. The maximum annual fee is $50,000. The agreement with the independent engineer was renewed for a one year term in November 2004.

The estimated deposits required to fund anticipated major maintenance for the next five years are as follows:

2006	$ 700,000
2007	700,000
2008	700,000
2009	825,000
2010	1,180,000

Annual Roadway Maintenance Agreement — The five year agreement, renewed March 3, 2004, between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services for an annual fee of $847,200 and subsequently adjusted thereafter for inflation.

During the year, the Corporation incurred management fees of $16,373; (2004 - $22,539) from the Province of Nova Scotia.

Other — The Corporation had also entered into various operating lease agreements for equipment and office space. The minimum lease payments for the next two years are as follows:

2006	$ 28,101
2007	27,102

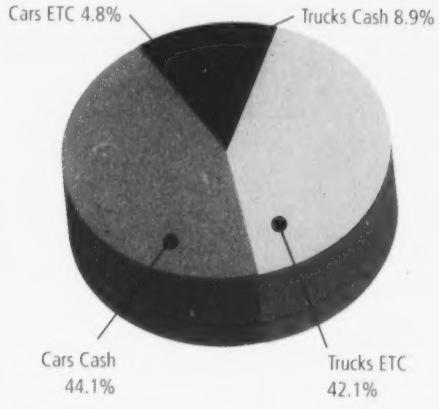
13. Comparative figures

Certain of the prior year figures have been reclassified to conform with the financial statement presentation adopted for the current year.

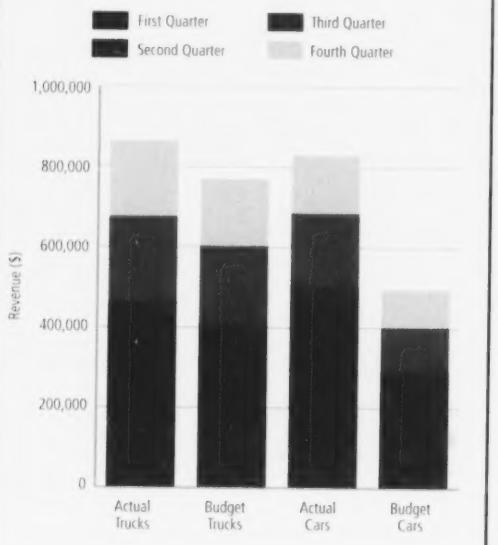
Financing

- Construction cost: $112 .9 million
- Provincial contribution: $27.5 million
- Federal contribution: $27.5 million
- $5.5 million in subordinated notes invested from the provincial pension fund
- $60.9 million provided by the sale of bonds to private investors underwritten by Newcourt Credit Group of Toronto
- Toll revenues over 30 years will provide the investors a return; pay for toll operations; cover the $847,200 for annual maintenance provided by the Nova Scotia Department of Transportation and Public Works in fiscal 2004–05; and contribute to long-term maintenance.
- The money borrowed from the private sector by the Highway 104 Western Alignment Corporation through Newcourt Credit Group is borrowed on the security of tolls not on the financial guarantees of the province.
- $4.00 per car; $3.00 per axle for trucks over five tonnes, $5.25 per recreational vehicle.
- $41 to buy a transponder, an electronic device mounted on a vehicle to automatically deduct tolls from a pre-paid computerized account.

Cash Toll and ETC Revenue
April 1, 2004 to March 31, 2005 (Audited)



Revenue Versus Day 1 Projections
For the Fiscal Year Ending March 31, 2005 (Audited)



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